

***PLEASE NOTE: Since the Glendale City Council does not take formal action at the Workshops, Workshop minutes are not approved by the City Council.**

**MINUTES
CITY OF GLENDALE
CITY COUNCIL WORKSHOP
October 4, 2005
1:30 p.m.**

PRESENT: Mayor Elaine M. Scruggs, Vice Mayor Thomas R. Eggleston, and Councilmembers Joyce V. Clark, Steven E. Frate, David M. Goulet, H. Phillip Lieberman, and Manuel D. Martinez

ALSO PRESENT: Ed Beasley, City Manager; Pam Kavanaugh, Assistant City Manager; Craig Tindall, City Attorney; and Pamela Hanna, City Clerk

1. FISCAL YEAR 2004-05 YEAR END REPORT ON THE GENERAL FUND

CITY STAFF PRESENTING THIS ITEM: Ms. Sherry Schurhammer, Director, Budget Department

This is a request for the City Council to review the unaudited Fiscal Year (FY) 2004-05 year-end report on the General Fund (GF) expenditures and revenues.

The FY 2004-05 year-end report on the GF is consistent with the Council's goal of ensuring the city's financial stability through timely reviews of expenditures and revenues.

In response to requests from the Council, staff committed to providing quarterly reports on the GF beginning with FY 2003-04.

The GF's year-end revenue budget and actuals are as follows (in 000s):

| | <u>FY05 Budget</u> | <u>FY05 Actuals</u> |
|-----------------------------|---------------------------|----------------------------|
| City Sales Tax | \$ 48,216 | \$ 52,498 |
| State Income Tax | \$ 19,749 | \$ 20,115 |
| State Sales Tax | \$ 17,311 | \$ 20,271 |
| State Motor Vehicle In-Lieu | \$ 8,026 | \$ 9,368 |
| Highway User Revenue Funds | \$ 15,382 | \$ 15,909 |
| Primary Property Tax | \$ 3,595 | \$ 3,576 |
| All Other | <u>\$ 26,302</u> | <u>\$ 25,790</u> |
| TOTAL | \$138,581 | \$147,527 |

As the preceding list shows, FY 2004-05 year-end GF revenue receipts are \$8.9 million, or 6.5% more than budgeted.

City sales tax receipts, which account for almost 35% of the city's total GF revenue budget, exceeded expectations by \$4.3 million, or 8.9%.

FY 2004-05 city sales tax receipts total \$52.5 million. FY 2003-04 collections were \$49.8 million. Therefore, FY 2004-05 collections are \$2.7 million, or 5.5%, ahead of FY 2003-04 year-end collections.

State-shared revenues performed very well for FY 2004-05, with receipts exceeding budget by almost \$4.7 million or 10.4%.

FY 2004-05 state-shared revenue total \$49.8 million. FY 2003-04 collections were \$47 million. Therefore, FY 2004-05 collections are \$2.7 million, or 5.8%, ahead of FY 2003-04 year-end collections.

Highway User Revenue Funds (HURF) are revenues commonly known as the gas tax, although there are several additional transportation-related fees that comprise this revenue source. This revenue source exceeded the FY 2004-05 budget for HURF by \$527,000.

There is a notable one-time source of revenue reflected in the FY 2004-05 year-end actuals. The sale of parcels at the Northern Crossing development generated approximately \$809,500 in FY 2004-05. In FY 2003-04, the sale of parcels at the Northern Crossing development generated \$7.3 million in GF revenue.

The FY 2004-05 full-year budget and actuals for the GF operating and pay-as-you-go (PAYGO) capital expenditures are as follows (in 000s):

| | <u>FY05 Budget</u> | <u>FY05 Actuals</u> |
|--------------------------|---------------------------|----------------------------|
| GF Salaries/Benefits | \$ 88,409 | \$ 84,399 |
| GF Non-Personnel | \$ 48,592 | \$ 40,722 |
| GF Debt Service (leases) | \$ 4,391 | \$ 4,231 |
| PAYGO Capital | \$ 3,642 | \$ 1,307 |
| TOTAL | \$145,034 | \$130,659 |

Salary savings for FY 2004-05 totaled \$4 million.

Non-salary savings for FY 2004-05 totaled almost \$7.9 million.

Overall, the city continues to be conservative in its spending as evidenced by the fact that the FY 2004-05 GF expenditures were almost \$14.4 million less than budget.

At the end of FY 2004-05, the budget-basis GF fund balance was just under \$59.2 million. This is \$7.2 million more than the budget-basis GF fund balance of just under \$52 million at the start of FY 2004-05.

The FY 2004-05 third quarter report was presented to the City Council on June 7, 2005.

This is a status report on the General Fund through the end of FY 2004-05. No Council action is required on this report.

Mr. Beasley reported that in FY 2001-02 the city's General Fund (GF) revenues totaled \$116.5 million. In FY 2002-03, GF ongoing revenue totaled \$122.2 million, excluding \$25.1 million in one-time revenue such as \$14.5 million from the lease proceeds on the Northern Crossing property and \$7.5 million from the lease proceeds on the Hickman property. He said GF ongoing revenues totaled \$138.3 million in FY 2003-04 and \$146.7 million in FY 2004-05.

On the expense side, he stated the city continues to follow the conservative approach Council directed as evidenced by the \$12.6 million in GF savings in FY 2002-03, \$5.6 million in FY 2003-04 and \$14.4 million in FY 2004-05. The overall General Fund balance continued to grow during FY 2004-05, with a GF ending balance of \$59.2 million at the end of FY 2004-05. He said these figures show that Glendale has done well during very economically challenging times under the direction of the Mayor and Council.

Ms. Schurhammer reviewed FY 2004-05 budget versus actual figures, stating GF revenues were \$8.9 million or 6.5% ahead of budget at the end of the fiscal year. She said by the end of the third quarter the city was \$4 million ahead of the budget, which means an additional \$4.9 million came in during the fourth quarter. This means that the city ended its fiscal year on a very strong note and that is primarily due to very strong state shared revenues, city sales tax receipts, and HURF revenues.

She said city sales tax revenues, which make up 35% of the city's overall GF revenue budget, ended almost 9% or \$4.3 million ahead of budget. She explained that state shared revenues ended the year \$4.7 million or 10.4% ahead of budget, with especially strong results in state sales tax and motor vehicle in-lieu receipts. She said HURF revenues came in about \$527,000 or 3.4% ahead of budget, with primary property tax receipts only \$19,000 less than budget, an immaterial amount since it amounts to less than 1% under budget. -The all other revenue category came in 1.9% under budget.

Ms. Schurhammer reviewed details of the all other revenue category. She explained that development permits and fees came in \$350,000 or 6.6% ahead of budget. Franchise fees came in as expected whereas license fees came in about \$81,000 or 10.2% ahead of budget. She explained that recreation fee revenues appear strong at \$197,000 ahead of budget. However, the total includes one-time revenue of \$223,000 from the 21st Century program. Once the one-time revenue is removed from the total, she said recreation fees actually came in about \$26,000 or 5.5% below budget.

Mr. Lynch discussed the impacts of the Northern Crossing development, stating that the land purchase cost \$11 million, demolition costs totaled \$2.2 million and other costs of \$1.3 million resulted in a total loan amount of \$14.5 million. He said the City has had parcel sales of \$11.5 million through the end of FY 2004-05 and city sales tax receipts totaled \$1.49 million (from the opening of the stores in late FY 2003-04 thru the end of

FY 2004-05) for total revenues of \$12.99 million. He stated the city is very rapidly reaching the point where revenues will exceed the investment in the property.

Councilmember Lieberman asked how much of the amount the city bonded remains outstanding. Mr. Lynch explained about \$10 million of the loan financing of \$14.5 million remains outstanding with payoff expected in about 10 years.

Ms. Schurhammer reviewed city sales tax receipts for FY 2003-04 and FY 2004-05, stating that FY 2004-05 collections exceeded the prior fiscal year's receipts by \$2.7 million or 5.5%.

She said a year-to-year comparison of state shared revenues shows an increase in FY 2004-05 over FY 2003-04 of \$2.7 million or 5.8%.

Ms Schurhammer then reviewed the slide showing a comparison of budget to actuals for FY 2004-05 on the expenditure side. Overall, the slide shows the city achieved almost \$14.4 in savings.

Councilmember Clark asked if Council could expect salaries and benefits costs to rise significantly in the upcoming budget year. Ms. Schurhammer explained that the city has not started preparing next fiscal year's budget. Councilmember Clark stated the city is likely to see an increase in benefits costs. Ms. Schurhammer agreed.

Mayor Scruggs asked if the Council adopted the FY 2005-06 budget. Ms. Schurhammer responded yes. Mayor Scruggs asked if the budget took into account the additional insurance costs and salary increases. Ms. Schurhammer answered yes.

Councilmember Clark clarified her comments by saying that they were aimed at the next fiscal year's budget cycle.

Mr. Beasley said insurance rates are negotiated and the city will not know what kind of increases might be seen until the city enters into those negotiations. He stated the salary package would depend, in part, on the number of employees hired; however, base salaries are calculated into the budget and anticipated upfront. He said, therefore, he does not believe there will be a significant increase in that number.

Councilmember Clark asked how much salaries have increased over the past few years. Ms. Schurhammer offered to provide that information to Councilmember Clark at a later time because she did not have the information with her.

Mayor Scruggs asked about the FY 2005-06 GF budget for salaries and benefits. Ms. Schurhammer offered to obtain that information for the Mayor. Mayor Scruggs asked that the information be obtained prior to the end of Council's discussion on this item.

Councilmember Martinez asked Ms. Schurhammer to explain how the city achieved a \$4 million salary and benefits savings. Ms. Schurhammer explained about \$1.7 million can be attributed to savings in divisions in public safety where appropriation for arena events and Westgate inspections was established but not used because activity levels in those areas were less than originally anticipated.

Councilmember Lieberman noted the figures are effective as of the last day of June 2005.

Vice Mayor Eggleston asked for an explanation of the PAYGO capital item. Ms. Schurhammer explained it is a category of capital expenditures paid with GF operating dollars and includes projects like neighborhood grants projects and street maintenance equipment not included in the vehicle replacement fund. Vice Mayor Eggleston pointed out the city used less than half of the amount it had set aside for the PAYGO expense category. Ms. Schurhammer explained that some items in the PAYGO category had carryover because the equipment ordered had not yet arrived by the end of FY 2004-05.

Mayor Scruggs stated the city is facing cost increases due to increased material costs and personnel shortages. She said Glendale might be able to weather those increases because it was able to surpass its revenue expectations and come in under budget on its expenses. Ms. Schurhammer explained capital projects typically are not paid out of the GF operating budget, but with secondary property tax revenue. She said, however, the operating expenses related to those capital projects are reflected in the operating budget. Mayor Scruggs pointed out one-time savings can be used for one-time projects. Ms. Schurhammer agreed.

Mayor Scruggs said that other jurisdictions are eliminating, significantly delaying, or reducing the scope of capital projects because of a shortage of revenues to cover escalating construction costs. She said Glendale should be able to use some of its excess revenue to keep its projects on track. Ms. Schurhammer agreed. Mr. Beasley said the budget reflects that the city has choices and other revenue resources it can use before scaling back any of its projects.

Mayor Scruggs stated her point is that the city did not spend money originally allocated in its budget and was able to bring in more revenue than originally anticipated, suggesting the savings and additional revenue could be used to help weather some of the increased costs for construction projects. Mr. Beasley agreed the savings could be used on a one-time basis to cover one-time cost increases. He pointed out, however, other sources of funding might be available depending on the nature of the project.

Mayor Scruggs asked if the city built the savings and higher than anticipated revenue into the FY 2005-06 budget. Ms. Schurhammer said the FY 2005-06 budget was based on authorized positions and an assumption of level spending on the non-personnel side. She said, therefore, the year-end budget for FY 2005-06 would be higher. Mayor Scruggs said the city did not program all of the FY 2004-05 savings or excess revenue from FY 2004-05. She stated the city, therefore, has another revenue source it can tap to cover project-related cost increases. Ms. Schurhammer agreed.

Councilmember Clark stated the city budgeted the capital projects when construction and gasoline costs were considerably lower. She said Council now needs a source of funding to offset those cost increases, which she believes is the intent of PAYGO. She said the PAYGO amount budgeted for the current fiscal year is likely in the \$3 million range again, but, given current circumstances, she believes the amount should start increasing on an annual basis. She asked if any of the \$2.3 million in PAYGO savings are carried over into the current year's PAYGO budget. Ms. Schurhammer said some of the unspent funds is carried over to the current fiscal year. Councilmember Clark expressed her opinion that unspent PAYGO is an appropriate place to allocate additional funding to offset construction cost increases on already approved projects.

Mayor Scruggs clarified that the \$2.3 million in PAYGO capital savings actually represents funds allocated to already approved projects that were not completed in FY 2004-05. She suggested the \$2.3 million in PAYGO savings be removed from the expenditure savings total. She said the city has over \$22 million from excess GF revenues (the amount of GF revenue collected that exceeded budget) and expenditure savings (the amount of GF appropriation authority not expended) that should help the city absorb increased project costs.

Ms. Schurhammer explained that the Council would not see a \$14.4 million increase from expenditure savings in FY 2004-05 in the GF fund balance because the expenditure savings represents a comparison of budget to actuals.

In response to the Mayor's earlier question about the FY 2005-06 GF budget for salaries and benefits, Ms. Schurhammer said the number is \$99 million, with \$50 million of that amount attributable to public safety. The FY 2004-05 budget for salaries and benefits was \$88.4 million.

Councilmember Clark stated fuel prices have increased about 50 cents per gallon since the FY 2005-06 budget was prepared. She asked if the Council should revisit the budget and possibly allocate more to cover fuel cost increases. Mr. Beasley said staff constantly evaluates the situation and will recommend increases if it appears appropriate to do so. He pointed out the city has also put internal measures into action to reduce fuel costs.

Councilmember Lieberman pointed out the salary savings are only revenue in the sense the funds were allocated but not spent. He emphasized the figure does not represent a source of revenue.

Ms. Schurhammer moved on to the last slide that showed the year-end summary of changes to the GF fund balance since the start of FY 2004-05 in July 2004. The bottom line showed that the GF fund balance started the fiscal year at just under \$52 million and ended the fiscal year at just under \$59.2 million. This change represents growth of \$7.2 million over the course of FY 2004-05.

Councilmember Martinez asked if the city is required to keep a certain percentage in the General Fund. Mr. Lynch stated the minimum requirement is set at approximately 10%. However, Glendale has tried to build a fund balance that provides some cushion to deal with unforeseen issues. He said he encourages the Council to continue that practice.

Mayor Scruggs pointed out the city may be getting to the point where it has to spend some of the money it has set aside.

Councilmember Clark asked how much is enough. Mr. Lynch said there are a lot of unknowns about upcoming major events and the city also has to plan for ongoing changes such as insurance claim costs. Councilmember Clark said it was her understanding the city put aside about \$6 million for the upcoming major events. She asked if there is a need to supplement that reserve amount. Mr. Lynch said the needs associated with those events will become clearer as the events draw closer.

Councilmember Clark said she could not envision using the entire \$59 million GF fund balance even if numerous crises occurred. She asked at what point is the cushion considered adequate. Mr. Lynch pointed out the entire \$59 million is not available to be spent, explaining the city has to meet bond rating and other requirements.

Councilmember Clark asked what amount would represent the required 10% minimum. Mr. Lynch said \$15 million. He pointed out competing communities are maintaining GF fund balances in excess of \$60 million.

Mayor Scruggs asked about the amount not paid out of enterprise fund revenue or property taxes. Ms. Schurhammer said the total General Fund operating budget for next fiscal year is just under \$147 million [the correct amount is \$158.2 million]. She stated they anticipated bringing in \$147 million on the GF ongoing revenue side so they had to build the ongoing operating budget to be equal to or less than that amount. Mayor Scruggs asked if the difference between the GF operating budget and the \$730 total budget [operating, capital, debt service, and contingency across all funds] is paid for either from property tax or the various enterprise funds. Ms. Schurhammer responded yes, for the most part.

Ray Shuey clarified the bond rating agencies rate Glendale very high because of the GF fund balance it maintains. He said the FY 2004-5 ending GF fund balance was just over 40% of total GF revenue for FY 2004-05, which puts Glendale in the AA rating category. He said that high rating brings the city lower costs when borrowing on behalf of its citizens. He said, therefore, the city's fund balance is appropriate as it relates to the anticipations and expectations of the rating agencies.

Councilmember Clark asked about the impact if the city were at 30% of GF revenue rather than 40%. Mr. Shuey said that numerous factors are taken into consideration when determining a city's rating and that a AA rating assumes a 40% to 50% fund balance. Councilmember Clark asked if a lower fund balance could be offset by a city's exceptional quality of development or other factors. Mr. Shuey responded yes, stating that a community with a tax base characterized by high quality commercial development can be a mitigating factor in favor of the city maintaining a high bond rating. He admitted the strong residential and commercial growth in Glendale has led to a stronger tax base and, consequently, a stronger position with the rating agencies.

Councilmember Lieberman asked if the city's total indebtedness and bonding totals \$543 million. Mr. Shuey said yes, according to the Debt Management Plan issued last April. Councilmember Lieberman said, in addition to revenue, bonding companies also look at the amount of debt a city has and how close the city is to its bonding limit. Mr. Shuey explained the city issues a variety of debt, much of which is supported by revenues generated by specific commercial projects. Councilmember Lieberman expressed his opinion Glendale is more fortunate than many cities in the valley because of the income it currently receives. He noted, however, in the not too distant past the city did not even receive COLA. He said he is often worried about the city's level of indebtedness.

Councilmember Martinez said he does not believe the city can have too much in the fund balance, pointing out, not long ago, the city had to decide which programs it would eliminate.

Councilmember Frate noted Mr. Lynch previously indicated he would like to see the city's fund balance at \$60 million. He said he would rather build up the fund balance to ensure funds are available should the city need them in the future

Mayor Scruggs said 10% of the city's entire ending fund balance set aside for mega-events is her limit, noting that is where the city is currently. She expressed concern that having more than 10% of the city's fund balance committed to that type of activity would look bad to bonding agencies.

She asked the Council where they believe Glendale is, given what is occurring in other cities and the decisions being made by other Councils to slow down their CIP, eliminate projects and scale back projects. She said projects that are in danger of being delayed, scaled down or eliminated need to be addressed before the city considers putting more money aside for mega-events.

Councilmember Martinez agreed.

Mr. Beasley said Glendale is a growing city and there are certain things the city will need to do to best serve its citizens. He stated they could look at alternatives in regard to the revenue streams coming in and the amount being spent.

Mayor Scruggs asked if discussions have started regarding the inability to bring CIP projects in at their budgeted amounts. Mr. Beasley said staff is looking not only at operating expenses, but engineering costs based on projections made two years ago as opposed to today. Mayor Scruggs asked if decisions to keep projects as they are, scale them down, or eliminate them entirely would be made by Council. Mr. Beasley responded yes, saying that these kinds of issues would be addressed during the upcoming budget process.

Mayor Scruggs asked why other cities are already in the process of making those decisions when Glendale has not even started discussions on the issue. She asked when staff foresees starting those discussions. Mr. Beasley said they would do that as part of the budget process and Council goal setting process. He suggested other cities projected revenues in their capital as well as ongoing that have not been realized; therefore, they have to scale back on those projects. Mayor Scruggs asked if there would be any scaling back of projects between now and when Council sees the CIP in four to six months. Mr. Beasley said the decision to do any scaling back of projects would come to Council before any actions were taken. He stressed the importance of allowing staff to verify the cost estimates. Mayor Scruggs pointed out half of the year will be over before Council goes through the CIP process.

Councilmember Lieberman suggested the Council hold a retreat to discuss these issues.

Ms. Schurhammer said, in terms of current projects budgeted in the current fiscal year, anticipated cost increases are identified when the contract award goes forward to Council for approval. She stated staff just started the CIP submission process in which departments will have three weeks to incorporate any cost increases related to construction and materials. She said staff would then analyze significant cost increases and options for funding those increases.

Mayor Scruggs expressed concern that Council does not hear about the cost increases until a contract is brought forward to Council for award. She said she would like staff to provide Council with an overview of all capital projects the city thought would be built this fiscal year and whether or not they will, in fact, happen.

Councilmember Clark said staff typically brings construction contracts forward with various alternates that are then either approved or eliminated in response to cost increases. She explained the problem is that Council is not given the opportunity to direct staff to find alternative funding sources to allow the project to proceed as it was originally bid.

Mayor Scruggs summarized, stating the Council foresees problems due to cost increases occurring in the construction industry and they would like advance notice about the difficulties so they can make informed decisions about all projects as they relate to one another.

Councilmember Lieberman said there could also be instances where the Council chooses to trade one project for another. He expressed concern that Glendale is riding high while other cities are already experiencing difficulties. He said he agrees with the Mayor's comments.

Councilmember Martinez agreed with Mayor Scruggs.

Mayor Scruggs noted she has to speak about and defend the Regional Transportation Plan every week because projects are coming in 20 to 25 percent higher than anticipated. She stressed that Glendale has not done anything wrong, stating the situation is simply a reflection of the rapidly changing world in which we live.

Vice Mayor Eggleston asked when the Council would be provided with the preliminary CIP. Ms. Schurhammer said a presentation on the preliminary CIP is scheduled for mid-January.

Mayor Scruggs expressed her opinion that it would be appropriate to have the preliminary CIP presented to Council at its November goal setting session. She asked how the Council will be able to set new goals if it does not know if their current goals will be met.

2. DEVELOPMENT IMPACT FEES ANALYSIS

Mr. Ed Beasley, City Manager, administratively withdrew this item from the agenda.

This is a request for the City Council to review the proposed increases in Development Impact Fees (DIF), as presented in reports prepared by TischlerBise and Black & Veatch, and provide direction for the following DIF categories: library; parks, recreation and open space; police; fire/emergency medical services; general government; solid waste; roadway improvements; water; and sewer.

The DIF update is consistent with the Council's goal of maintaining the city's financial stability.

The city's financial policy, as published in the city's annual budget document, states that "Revenues from growth or development should be targeted to development, or invested in improvements that will benefit future residents or make future service provision efficient."

On October 12, 2004, the Council approved the selection of Tischler & Associates (subsequently named TischlerBise) to provide this update for the city's development impact fees, with the exception of water and sewer. TischlerBise completed the city's prior DIF updates in 2000 and 2001. TischlerBise also has done impact studies for Avondale, Buckeye, Carefree, Casa Grande, Coolidge, Eloy, El Mirage, Flagstaff,

Gilbert, Goodyear, Northwest Fire District, Peoria, Phoenix, Queen Creek, Scottsdale, Surprise, and Tolleson.

TischlerBise prepared an updated report that reflects proposed increases to the city's impact fees, excluding water and sewer. Black & Veatch prepared an updated report on the water and sewer DIF. The two Fiscal Year 2004-05 DIF studies document the city's cost to maintain current levels of service while accommodating new development.

The two DIF updates are based on planning and zoning information, existing levels of service provided to current resident, and the Fiscal Year 2005-14 Capital Improvement Plan.

The proposed fees do not include proposed annexation areas west of 115th Avenue. Based on Council direction regarding levels of service for the various DIF categories, staff recommends a separate update to include recently annexed areas.

The proposed fees do not include projects funded by the Glendale Onboard Transportation Program because the capital projects in that program have a separate and dedicated funding source.

The following table reflects the proposed changes for a single-family detached residential unit for the categories reviewed:

| Single Family Detached Residential Unit | | | |
|--|----------------|-----------------|-----------------|
| Categories | Current | Proposed | Variance |
| Library | \$514 | \$606 | \$92 |
| Parks, Recreation, Open Space | \$1,091 | \$2,072 | \$981 |
| Police | \$359 | \$383 | \$24 |
| Fire/EMS | \$339 | \$408 | \$69 |
| General Gov't | \$660 | \$934 | \$274 |
| Solid Waste | \$264 | \$301 | \$37 |
| Roadway Improvements* | \$613 | \$1,160 | \$547 |
| Water (3/4-inch meter) | \$4,200 | \$5,910 | \$1,710 |
| Sewer (3/4-inch meter) | \$1,740 | \$1,780 | \$40 |
| TOTAL | \$9,780 | \$13,554 | \$3,774 |

** Formerly named Transportation*

As the preceding table shows, the current impact fees for a single-family detached residential unit total \$9,780. The proposed impact fees total \$13,554.

The comparison of DIF for various cities is not an apples-to-apples comparison because each city offers different levels of service to its residents. The impact fees that are charged vary by city for each category based on the level of service that each city currently provides for its residents.

In addition, many cities do not charge impact fees for each category. For example, Mesa does not charge a DIF for the Roadway Improvements and Solid Waste categories. Goodyear, Surprise, and Queen Creek do not charge a DIF for the Solid Waste category. Queen Creek also does not charge a DIF for the Fire/EMS category. Gilbert does not charge a DIF for the Library category.

Below is a listing of other communities and the total impact fee charged for a single-family detached residential unit:

| | |
|-----------------------------------|-----------------|
| Peoria (North & Central proposed) | \$17,170 |
| Chandler (effective Feb 06) | \$13,582 |
| Glendale (proposed) | \$13,554 |
| Peoria (North & Central current) | \$12,942 |
| Gilbert | \$11,984 |
| Goodyear | \$10,963 |
| Phoenix (Deer Valley I) | \$10,689 |
| Chandler (current) | \$10,181 |
| Avondale | \$ 9,999 |
| Queen Creek | \$ 9,881 |
| Surprise | \$ 8,613 |
| Mesa | \$ 4,740 |

Impact fees are one-time charges to developers that are used to offset capital costs resulting from new development. They are necessary to expand and develop new facilities to serve new growth so cities can continue to provide the same level of service to new growth as that provided to existing residents.

In addition, by having growth pay for growth, the city is able to maintain the existing level of service for current residents. Otherwise, existing residents could potentially experience a decline in the level of services they receive.

Developers pay DIF when they construct new residential and commercial developments. Development fees relate only to capital facility development/expansions benefiting new development and are not to be utilized for rehabilitation efforts or operating expenses.

Once Council has determined that the impact fees need to be adjusted, the city is required to follow an adoption process that complies with the Arizona State laws pertaining to fees and rates. That process will include posting the study for public review, publishing a notice in the newspaper, adopting a resolution of intent to raise fees, conducting a public hearing to allow input on the proposed fees, and adopting an ordinance amendment making the desired changes. The new fees will become effective 90 days after the adoption of the ordinance.

DIF for parks, water, and sewer have existed for several years. Fees for streets, library and public safety were implemented in 1997. Fees were implemented for solid waste (sanitation and landfill), roadways and general government in 2000. The public safety fee was separated into police facilities and fire/emergency medical services in 2001.

In 1997, the Council requested that the fees be revisited and updated every three years.

The last update for library; parks, recreation and open space; police; fire/emergency medical services; general government; solid waste; and roadway improvements was completed in 2001 and adopted by the City Council on October 9, 2001, with an effective date of January 10, 2002.

The last update for water and sewer DIF was completed in 2003 and adopted by the City Council on May 25, 2004, with an effective date of August 2, 2004.

On June 14, 2005, staff and TischlerBise met with representatives from the Homebuilders Association of Central Arizona and the Arizona Multifamily Housing Association to discuss the technical aspects of the development fee methodology and supporting data for the proposed development impact fees for all categories except water and sewer.

On July 18, 2005, staff and Black & Veatch met with representatives from the Homebuilders Association of Central Arizona and the Arizona Multifamily Housing Association to discuss the technical aspects of the development fee methodology and supporting data for water and sewer DIF.

This item was presented to (1) provide direction on proposed increases in the following categories for development impact fees: library; parks, recreation and open space; police; fire/emergency medical services; general government; solid waste; roadway improvements; water; and sewer; (2) provide direction regarding the recommendation to conduct development impact fee updates every two years rather than every three years; and (3) provide direction regarding the recommendation to conduct a separate development impact fee study to include proposed annexation areas west of 115th Avenue.

3. FOLLOW-UP REPORT ON COUNCIL ITEMS OF SPECIAL INTEREST

CITY STAFF PRESENTING THIS ITEM: Mr. Craig Tindall, City Attorney

This is a request for the City Council to review and provide direction related to the following Council Items of Special Interest:

- a) Creation of a salary commission to review rates of pay for elected officials;
- b) Consideration of a ban on the use of non hands-free cell phones while driving, with the exception of the public safety and city personnel on official business;
- c) Consideration of forming a short-term Council Subcommittee focused on preparing for major events coming to the city

Council “Items of Special Interest” are discussed quarterly in workshop according to a Council procedural guideline adopted in the Fall of 2002.

The memorandums submitted to the Council at the meeting provide brief assessments of topics identified by members of the Council at the July 5, 2005 workshop.

At the July 5, 2005 workshop, Mayor Scruggs asked for consideration of a salary commission that would be charged with reviewing the rates of pay for elected officials and determining the pay levels appropriate to the duties and responsibilities of the offices. She recognized that any recommendations for increases would then have to be placed before Glendale voters in a future election.

Councilmember Goulet suggested a ban on the use of non hands-free cell phones and asked staff to research this issue.

Councilmember Clark asked the Council to consider the formation of a short-term Council Subcommittee focused on preparation for major events coming to the city. Councilmember Lieberman also asked for such a committee.

The recommendation was to review this item and provide staff direction on:

- 1. Creation of a salary commission to review rates of pay for elected officials;
- 2. Consideration of a ban on the use of non hands-free cell phones while driving, with the exception of safety personnel and personnel on city business; and
- 3. Formation of a short-term Council Subcommittee focused on preparing for major events coming to the city.

Creation of a Salary Commission to Review Rates of Pay for Elected Officials

Mr. Tindall explained the process for amending the Council salaries is defined by the City Charter which requires changes in Council salary to go to the voters. He stated the Council has the option of appointing a five-member Salary Commission that will then report to Council on their study of other cities. He identified potential dates that would allow a referendum to be placed on the September 12, 2006 primary ballot.

Councilmember Frate emphasized that voters have the final say.

Mayor Scruggs voiced Council's consensus to move forward.

Mr. Tindall said the next step will be the appointment of Salary Commission members at the Council's executive session on October 18.

Councilmember Lieberman asked if the Council members should each come up with a list of people they would like Council to consider for appointment to the Commission.

Mayor Scruggs asked Councilmember Martinez as Chair of the Government Services Committee to compile a memo outlining what the Council members need to do to bring forward the names of those they would like considered for appointment to the Commission.

Councilmember Goulet asked if people will be given the opportunity to submit their own names.

Mayor Scruggs suggested they appoint the current Glendale 101 class, stating they could go through the process as a class project.

Councilmember Lieberman noted the list of names will have to be ready two weeks from today. Mayor Scruggs expressed her opinion the appointments could slip a couple weeks without there being any major impact on the process. Mr. Tindall clarified the Salary Commission is allowed three months to complete its work.

Councilmember Clark pointed out the last day to submit ballot language is in May.

Consideration of a Ban on the Use of Non Hands-Cell Phones While Driving, with the Exception of Safety Personnel and Personnel on City Business

Ms. Gorham said Councilmember Goulet requested staff provide background information on ordinances and policies that other jurisdictions have related to cell phone use and driving.

Councilmember Goulet explained the issue came about as a result of spontaneous comments people have made to him over the past few years. He said cell phones have become a safety issue, noting he encountered two vehicles this morning where the drivers were talking on cell phones and not paying attention to traffic around them. He stated, while he does not necessarily support a total ban like ones enacted in other cities, he believes they need to look at whether or not such bans make driving safer.

Councilmember Lieberman noted Mesa has had a record number of in-city traffic fatalities, questioning whether they have conducted a survey about any correlation that might exist between the use of cell phones and the increased number of accidents. He pointed out Glendale had five fatalities in a two week period in February.

Councilmember Clark said the fatalities were most likely related to alcohol rather than cell phones. She suggested the issue is better resolved at a state level. She stated New Jersey created a state preemption with regard to cell phones.

Councilmember Martinez said a lot of the accidents in Mesa can be attributed to alcohol and speeding. He agreed any action taken needs to be done at the state level.

Vice Mayor Eggleston said three states that banned cell phones have banned only hand-held phones. He suggested the shape of Glendale would make enforcing a local ordinance difficult.

Mayor Scruggs agreed the issue is one best handled at the state level. She said the issue of distracted driving goes beyond the use of cell phones; stating many people believe eating and drinking while driving are even bigger distractions. She pointed out it is not a primary enforcement measure in jurisdictions that have a ban. She agreed it is difficult for people to determine when they are and are not in Glendale and would likely not know that Glendale has a ban when other jurisdictions do not.

Formation of a Short-Term Council Subcommittee Focused on Preparing for Major Events Coming to the City

Ms. Gorham noted staff will come to Council at the next workshop with a total overview for direction relative to the mega-events.

Councilmember Clark expressed concern that staff's report on this issue will compete against all other types of priorities and the opportunity for full Council discussion will be limited. She said the creation of a short-term subcommittee would provide an opportunity for further discussion and analysis.

Councilmember Lieberman said if he is not part of the committee or asked by the committee to help solve problems, his trip to Jacksonville was wasted. He said he may have answers that other committee members do not have because they were not afforded the opportunity to go to Jacksonville.

Mayor Scruggs said it is very apparent staff is working within their specific disciplines and with counterparts in other cities within those disciplines and their knowledge base exceeds that of those who went to Jacksonville. She said the up-to-the minute information produced by each of the departments and the report Becky Bonnet produces monthly are very helpful. She expressed her opinion it is sufficient for Council to receive periodic updates from Ms. Gorham.

Ms. Gorham noted her draft report includes a recommendation to provide Council with a monthly written report. She said Council could also place any issue on the agenda for further discussion. She said the city has opportunities for engagement of the community and stakeholders and the Council will play a key role. She pointed out the 60 staff members involved in the event are also doing their regular duties. She said their focus is on ensuring residents of Glendale get the same if not better service as they move forward.

Councilmembers Martinez and Eggleston felt the monthly written reports would be adequate.

Vice Mayor Eggleston pointed out the Council members could carry information forward to the citizens through their district and neighborhood meetings. He suggested there will be opportunities for volunteers to get involved as well.

Ms. Gorham said they will address many of the issues, including the use of volunteers, at the Council's October 18 workshop.

Mayor Scruggs suggested the report include an explanation of the Super Bowl Host Committee. She said people seem to have the misunderstanding that because the Super Bowl will be held in Glendale that the city has total control over the event.

4. COUNCIL ITEMS OF SPECIAL INTEREST

This is the quarterly opportunity for City Council members to identify topics of interest they would like the City Manager to research and assess for placement on a future workshop agenda.

In the Fall of 2002, the Council approved a procedural guideline allowing for topics of special interest to be identified quarterly.

The initial assessment of each item requires staff time.

The recommendation was to identify items of special interest that the Council wants the City Manager to assess.

Councilmember Clark said she believes her issues will be addressed when staff makes its report on holistic approaches to neighborhoods.

Councilmember Lieberman suggested they place "Glendale – Home of Luke Air Force Base" on the city's entrance signs.

Councilmember Martinez asked staff to look again at implementing photo radar. He also suggested they look at an ordinance to control the sale of pseudo-ephedrine. He further suggested they look at making improvements to the southeast corner of Grand and 59th Avenue.

Councilmember Goulet suggested staff look at a public art project for the downtown area as well as at various city facilities and shopping centers. He also asked that staff look at stronger enforcement when people run stop signs as well as creating a public safety campaign focused on the need to stop at stop signs.

Mayor Scruggs brought up the issue of pay day loan establishments, noting Representative Nelson commented cities can control pay day loan locations. She said Peoria has passed an ordinance and Avondale is preparing to pass one as well. She said the senior officers at Luke Air Force Base have come out in strong support and have asked cities to do what they can to regulate pay day loan establishments. She asked staff to research what can be done at the municipal level to regulate pay day loan establishments.

Mayor Scruggs said, as a city, Glendale requires all new subdivisions to have homeowners associations; however, city ordinances and homeowners association rules often differ greatly. She said the city often aids and abets people in going around their CC&Rs. She said, for example, in instances where homeowners apply for building permits to build additions onto their homes despite their not being allowed to under their CC&Rs, the granting of that permit renders the Homeowners Association ineffective in enforcing their CC&Rs. She suggested they look at establishing a process that notifies Homeowners Associations who choose to participate when a building permit is pulled. She expressed her opinion that if Glendale is going to require the establishment of Homeowners Associations, they should respect their authority.

Councilmember Frate asked if Homeowners Associations would have to sign off before a permit is granted. Mayor Scruggs said the city cannot hold a permit because it goes against CC&Rs. She stated, however, the Homeowners Association would at least be notified when building permits are pulled.

Vice Mayor Eggleston supported Mayor Scruggs suggestion. He asked if CC&Rs override the city's building ordinances. Mr. Tindall responded no, explaining CC&Rs are a contractual agreement between the homeowner and the association. He said enforcing the CC&Rs would be a civic enforcement matter.

ADJOURNMENT

The meeting was adjourned at 3:30 p.m.